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Retirement Income, Russia

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Synonyms

[Pension](#); [Retirement account](#); [Payment](#); [Reward](#)

Definitions

Minimum subsistence level is the assessment of minimal set of food basket and non-food goods and services that are necessary for individual's vital activity and health as well as compulsory payments and fees. Minimum subsistence level is set differently for children (0–15), the individuals of the active age (16–54/59 for women/men correspondingly) and the retirement-age persons (55/60 and over for women/men correspondingly) and varies across Russian regions.

Retirement-age individuals are persons at the age of 55/60 and over for women/men correspondingly.

Active age individuals are persons aged 16–54/59 for women/men correspondingly.

Disposable monetary income is the sum of monetary incomes from various sources except compulsory payments and fees.

Real pension benefits are the nominal pension benefits (in current prices) adjusted for consumer price index.

The *absolute poverty concept* is based on the comparison of one's income with the minimum subsistence level. If one's income is below this level, an individual/household belongs to the poor.

The *relative poverty threshold* is determined as 60% of national median income per capita. If one's income is below this threshold an individual/household belongs to the relatively poor.

The *subjective poverty concept* implies the subjective evaluation of one's sufficiency of income and material well-being.

Mixed households are households with pensioners and non-pensioners.

Introduction

As a part of economic resources, incomes of old people (We use terms old people, old adults, seniors, senior citizens here as synonyms.) in large determine their standard of living and quality of life (Bowling 2005). Material welfare not only promotes old adults' financial independence but also expands the range of options available to them in other spheres of active ageing – from maintaining a healthy lifestyle (commercial sports clubs, commercial healthcare services) to social and cultural activities (lifelong education, visits to art shows and theatres, community service, and

philanthropy). Meanwhile, in developed countries, including Russia, the main source of income of old people is pensions (Bowling 2005).

This entry analyzes the level and structure of seniors' incomes in Russia. For the purpose of this study, we define the threshold of old age as the retirement age – 55 for women, 60 for men. Russia has several types of pensions: old-age pensions, disability pensions, survivor's pensions, and social pensions (from 60/65 years for women/men, respectively, who had not been in employment). (For more information, see “► [Pension Reform](#).”) It is also worth noting that the Russian legislation does not limit pensioners' right to work or sets any limits for their incomes. Nonworking pensioners with small pensions are entitled to a compensation bringing their income to the minimum subsistence level set for pensioners in the region of their residence.

The main sources for the data used in this entry include the regularly compiled statistics by the Russian Federal State Statistics Committee (Rosstat), 2010 Russian national census, and 2015 micro-census, as well as surveys carried out by Rosstat and the Russian longitudinal monitoring survey of NRU-HSE (RLMS-HSE).

Level and Structure of Incomes of Retirement-Age Persons and Pensioners

According to the 2010 Russian national census of the population and the 2015 micro-census, more than one third (35%) of retirement-age persons indicated more than one source of income. In the general population, the share of such people is smaller: 25% in 2010 and 23% in 2015.

The most common income source of seniors in Russia is public pensions. In 2010, 91.6% of retirement-age individuals were receiving old-age pensions and other types of pension (except disability pensions) and 6.7% – disability pensions; in 2015 – 92.6% people were receiving old-age pensions and 9.3% – disability pensions. Old-age and other types of pensions (except disability pensions) were reported as the main income source by 82.8% of retirement-age respondents in 2010 and by 80.5% in 2015, and

disability pensions – by 4% in 2010 and 4.9% in 2015.

The second most often reported seniors' income source is wage which was reported by 18% retirement-age persons in 2010 and 19% in 2015. Meanwhile, for 12% and 13.0% of retirement-age respondents in 2010 and 2015, respectively, income from employment was the main source of income.

Incomes from private subsistence farming (production grown in personal subsidiary plots) were reported by 14.8% seniors in 2010 and 14.2% in 2015, although almost nobody reported them as the main source. Assistance of other people (dependence), leasing one's property to an individual or a company, savings and dividends are much less frequently reported sources of income among persons older than the active age (Russian national census – 2010; micro-census – 2015).

In the structure of monetary income of all-pensioner households, pensions and labor income predominate. As the Rosstat's Survey of the Population's Incomes and Participation in Social Programs for 2016 shows, in 2015 pensions accounted for 51% of pensioners' monetary income, and the share of labor income, including wages and perquisites from a main job, as well as incomes from other regular or irregular employment, was 38.5%. In 2011, the share of labor income was much lower (29.5%), while the share of pension benefits in monetary income of all-pensioner households was higher (56.1%). It is also worth mentioning that in 2011 the share of different non-pension benefits was 11.3% while in 2015 it was down to 6.3%. That said, compared to developed countries, in Russia income from pensioners' ownership account for just an extremely small share of their overall income: only 0.7% in 2011, 1.2% in 2014, 1% in 2015. (Rosstat's Survey of the Population's Incomes and Participation in Social Programs for 2012, 2015 and 2016.)

Compared to other types of households and the general population, pensioners' households have higher per capita incomes. According to the Rosstat's Survey of the Population's Incomes and Participation in Social Programs, in 2015 the average per capita disposable monetary income in

all-pensioner households was 25,675.9 rubles while for the general population the figure stood at 23,270.8 rubles.

Dynamics of Pension Benefits

As has been shown, public pensions are the main income source for most retirement-age individuals, so their amount and dynamics influence significantly standard of living in old age. According to Rosstat, in April 2017 the average monthly pension benefit was 12,929 rubles (226.88 USD (Currency converter: <https://finance.rambler.ru/calculators/converter/>)), or 32.9% of the average gross monthly wage (Socio-Economic Situation in Russia 2017).

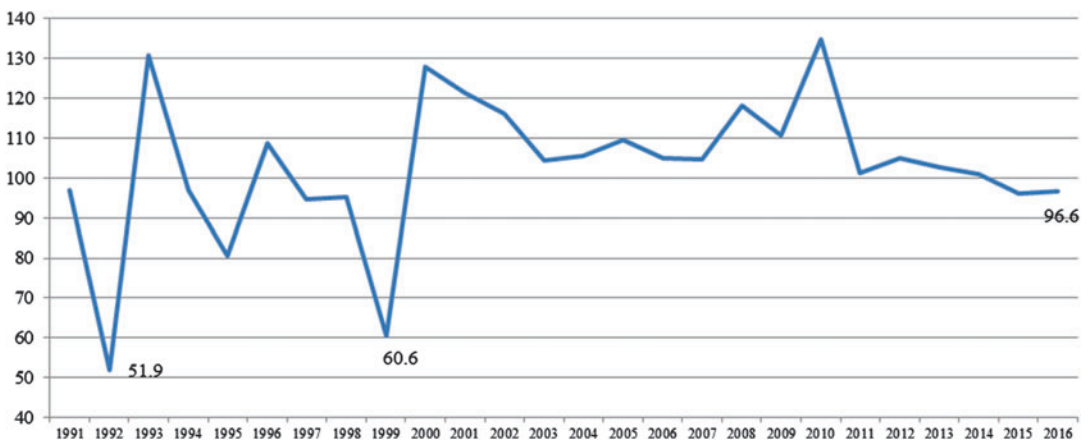
In the entire history of the Russian pension system, the sharpest decline in the real pension benefits compared to previous year took place in 1992 and 1999, when the value was down nearly by half (Fig. 1). From 2000 onwards, the average real pension benefit per annum increased from year to year. In the recent years, the real pension benefit has been shrinking, down to 96.2% and 96.6% in 2015–2016. In other words, in 2015 for the first time during the last 15 years, the real pension benefit was lower than the previous year's (Socio-Economic Indicators in the Russian Federation 1991–2015, 2016).

An analysis of the dynamics of the real pension benefits compared to 1991 shows that the greatest

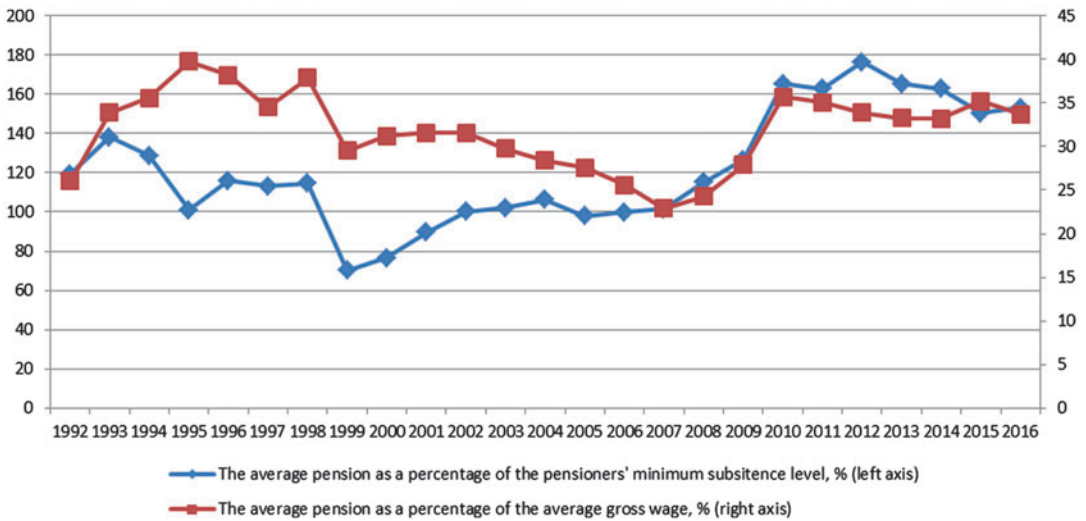
decline took place in 1999, when the real benefit was less than one third that of 1991. The real pension benefits came close to the level of 1991 only in 2009, and in 2010 exceeded it by one third.

Analyzing the dynamics of the pension benefits, one cannot ignore two important indicators – ratio of the average pension benefit to the pensioners' minimum subsistence level, and ratio of the average pension benefit to the average gross wage. The first indicator reflects a comparison of the pension benefit and the absolute poverty threshold, as accepted in the Russian Federation, and allows to indirectly compare the pensions' purchasing power. The second indicator enables to compare incomes of working population and pensioners and to figure out, approximately, to what extent the average Russian's pension compensates for the loss of the average wage income.

In the early 1990s, the gap between the average pensions and the pensioners' subsistence level was shrinking, and in 1999–2001 the pension benefits were by 20–30% smaller its level. In 2002–2007, the pension amounted to about one minimum subsistence level. But since 2008, as the pension benefits began to grow thanks to its massive indexation, in 2012 the ratio of benefits to subsistence level reached 176.5%. In the recent years, we have witnessed a continuous decline in the ratio of pension benefits to the subsistence level. In 2016, the average pension was 153.3% of the pensioners' subsistence level (Fig. 2).



Retirement Income, Russia, Fig. 1 Real pension benefits, as percentage of previous year, 1991–2016



Retirement Income, Russia, Fig. 2 The average pension benefit as a percentage of the pensioners' minimum subsistence level and the average gross wage (%), 1992–2016

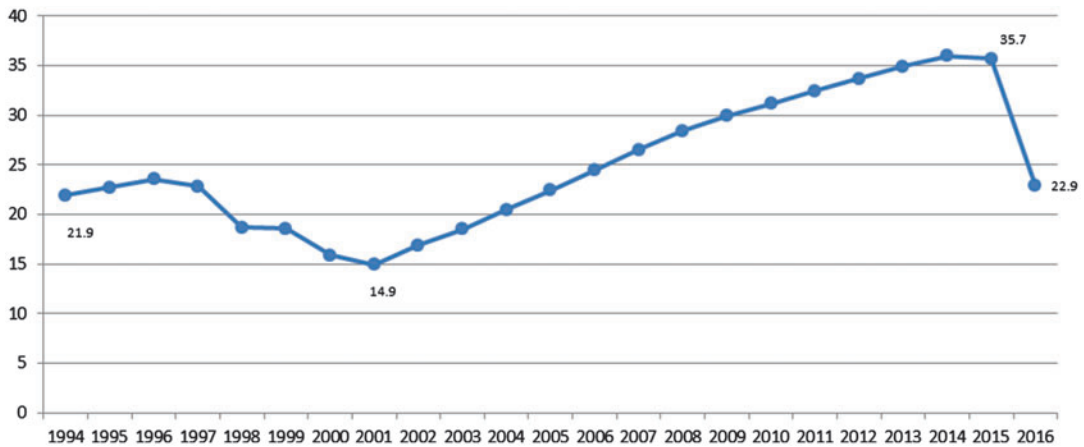
To the contrary, in the first half of the 1990s the ratio of the average pension benefit to the average (gross) wage continued to grow because pensions were indexed more accurately than wages. After the crisis of 1998 and, later, after the start of the pension reform in 2002, the ratio of the average pension to the average wage began to decline, reaching the level of 22.9% in 2007. During the last 10 years, the ratio of the average pension to the average wage grew up to 33.7%, which is still low when measured by developed countries' standards. And it is also important to understand that the growth of this indicator in the last 2–3 years has been conditioned, first of all, by a decline in the average wage on account of the crisis, and not by the growth of the average pension (Socio-Economic Indicators of the Russian Federation in 1991–2015 [2016](#)).

Employment of the Pensioners

If we trace the dynamics of the share of working pensioners in the overall pensioner population, we can see that it has been growing, except the period of 1998–2001, when pensioners' employment

was limited by legislation and the old people were pulling out from the “official” labor market (Fig. 3). The pension reform of 2002 abolished these limitations, allowing pensioners not only to earn money without restrictions but also to recalculate the amount of their pensions taking into account the retirement contributions paid. As a result, the share of working pensioners was steadily growing in 2002–2015.

However, since 2015 some of the retirement contributions paid for pensioners do not count when their pension benefits are reassessed, and since 2016 working pensioners' pension benefits are no longer indexed (Federal Law No. 385-FZ Dated December 29, [2015](#)). The latter decision brought down the numbers and share of working pensioners reported by the PFR statistics. Whereas on January 1, 2016, according to Rosstat, Russia had over 15 million working pensioners (35.7% of all pensioners), a year later the figure was down by more than one third, and on January 1, 2017, Russia had 9.9 million working pensioners (22.9% of all pensioners). The share of working pensioners is higher among old-age pensioners – 24.4%. Because the statistics collected by the PFR and reported to Rosstat reflects only officially employed pensioners, one can suppose that after the abolishment of indexation not



Retirement Income, Russia, Fig. 3 Dynamics of the share of working pensioners in the total number of pensioners (%), 1994–2015

all of the previously working pensioners retired and some of them opted for informal employment.

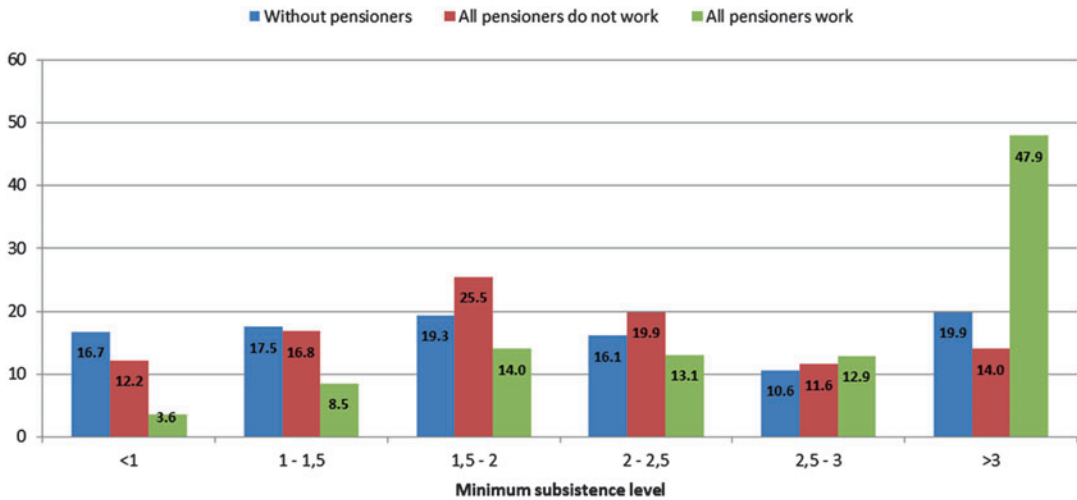
Poverty Levels Among Retirement-Age Persons and Pensioners

According to Rosstat, retirement-age persons are the group the least exposed to risks of absolute poverty. The index of poverty risk – the ratio of poverty level in a specific sociodemographic group to poverty level in the general population – in 2015 was 0.67 for men aged 60 and older and 0.56 for women aged 55 and older, respectively. Children younger than 16 and young people aged 16–30 face the highest poverty risks. If we look at the correlation between poverty risks and economic activity of different sociodemographic groups, working pensioners face minimal poverty risks (poverty risk index was 0.35 in 2015), whereas poverty risks for nonworking pensioners are practically the same as for the adult working population (0.83 against 0.81 in 2015, respectively) (Socio-Economic Indicators of Poverty in 2012–2015 2016). During the last 20 years, many researchers have argued that retirement-age persons and pensioners are less exposed to risks of absolute poverty (Braithwaite 1997; Ovcharova 2008; Denisova 2012).

Meanwhile, until quite recently, levels of subjective poverty, as assessed by pensioners themselves, were higher than those of the general population (Ivanova 2003; Presnyakova 2005; Sinyavskaya 2006). After a sharp rise in pensions, in 2010, the gap between the levels of absolute and subjective poverty has narrowed (Sinyavskaya 2012). However, in the situation of the crisis that began in 2014, when the real pension benefits started to decline for the first time in 15 years, it would seem natural to expect a rise in the levels of subjective poverty.

According to estimates made on basis of the RLMS-HSE for 2013, the levels of absolute and relative poverty of different types of households are similar, although sociological surveys usually suggest a higher incidence of absolute poverty than statistical data. Absolute poverty was recorded in 0.8% of all-pensioner households, 18.3% of mixed households, and 27.3% of households without pensioners; relative poverty – in 3.9%, 23.5%, and 28.7% for the households referenced above, respectively.

According to the RLMS-HSE data for 2013, practically half of the households without pensioners belonged to low-income groups (with per capita income less than 1.5 of the minimum subsistence level) while nearly one quarter of households with pensioners (23.5%) have incomes exceeding three subsistence level, and about one



Retirement Income, Russia, Fig. 4 Distribution of households by the ratios of households' per capita monetary incomes to the levels of regional minimum subsistence level (%)

third of them (30.6%) – from two to three subsistence levels.

A principal factor explaining higher incomes of households with pensioners is pensioners' employment. According to the 2013 RLMS-HSE data, absolute poverty was recorded in 3.6% of households with working pensioners and in 12.2% of households with nonworking pensioners, and relative poverty was recorded in 5 and 17.4% of households, respectively. Differences between poverty levels are even sharper in mixed households combining pensioners and non-pensioners: absolute poverty was recorded in 5.5% of households with working pensioners and 25.1% of households with nonworking pensioners, and relative poverty was recorded in 7.7 and 31.7% of households, respectively.

Nearly half (47.9%) of households with working pensioners have incomes amounting to three minimum subsistence level (Fig. 4). Unlike these households, households with nonworking pensioners are concentrated in medium-income groups (1.5–2 and 2–2.5 subsistence levels). And finally, households without pensioners predominate in low-income groups, except 19.9% of households with incomes more than three minimum subsistence levels (Sinyavskaya et al. 2016).

Conclusion

The main source of seniors' income in Russia is their pensions awarded after they reach a certain age, provided they have a required length of insurance period. The Russian pensioners, meanwhile, have the right to receive their pensions and wages in full when they work, so wages are another important source of their incomes. Nonworking pensioners whose pension is lower than the regional level of minimum subsistence level, receive compensatory payments.

So, risks of absolute poverty for old people in Russia are minimal and risks of relative poverty are much lower than for other social groups, especially for families with children. Households with working pensioners have the highest average income levels.

Incomes from sales of produce from personal subsidiary plots (subsistence farming), important for survival of Russian households in the 1990s, are presently the third most common seniors' income source, and even that primarily in rural areas. But it is very seldom that pensioners report this activity as their main source of income.

Other sources of income, whether an assistance from relatives or personal savings, incomes from assets – are very rare and make but a very small part of the Russian old adults' incomes.

Cross-References

- ▶ [Active Ageing Policies and Globalization, Russia](#)
- ▶ [Family Policy, Russia](#)
- ▶ [Human Resource Management in Russia](#)
- ▶ [Retirement Contributions, Russia](#)

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